



## Press Release

**Asian Sealing Products Private Limited**

**April 11, 2023**

### **Ratings**

| <b>Facilities</b>          | <b>Amount<br/>(Rs. crore)</b>  | <b>Ratings</b>   | <b>Rating Action</b> | <b><u>Complexity<br/>Indicator</u></b> |
|----------------------------|--|--|----------------------|--|
| Long Term Bank Facilities  | 11.26  | IVR BB-/ Stable<br>(IVR Double B Minus<br>with Stable outlook) | Assigned             | Simple                                 |
| Short Term Bank facilities | 18.00  | IVR A4<br>(IVR Single A Four)                                  | Assigned             | Simple                                 |
| <b>Total</b>               | <b>29.26<br/>(Rupees<br/>Twenty-nine<br/>crore and<br/>twenty-six lakh<br/>only)</b> |  |                      |  |

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank facilities of Asian Sealing Products Private Limited (ASPPL) derive strength from experienced management and established track record of operations and improvement in revenue in FY22. The ratings are, however, constrained by working capital intensive nature of operations, moderate capital structure and debt protection metrics and vulnerability to raw material price and foreign exchange fluctuations.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained improvement in the total operating income by more than 20%.
- Sustained improvement in EBITDA margin exceeding 14% leading to improvement in cash accruals and liquidity position.
- Improvement in working capital management.

#### **Downward Factors**

- Decrease in total operating income and/ or profitability margins.
- Stretch in working capital cycle impacting liquidity of the company.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced management and established track record of operations**

ASPPL has an established track record of more than a decade of operations in sealing product. The promoters, Mr. Rathinam Aranganathan, Ms. Lakshmi Priya Veerakumar and Mr. Subramaniam Venkatakrishnan have been associated with this industry for more than two decades. The promoters are actively involved in the day-to-day affairs of the company, ably supported by a well experienced second line of executives. ASPPL's experienced management and established track record helps maintain long standing relations with reputed customers such as Reliance Industries Ltd, Indian Oil Corporation Limited, Oil and Natural Gas Corporation Limited, Wolar Industrial Inc, Klinger Ltd, Freudenberg Oil & Gas Technologies, L&T Valves Limited, Bharat Heavy Electricals Limited amongst others.

##### **Improvement in revenue in FY22**

Total operating income increased to Rs. 64.73 crore in FY22 over Rs. 49.68 crore in FY21, due to increase in the volume of the products and market demand. The company has achieved total operating income of around Rs.115.57 crore in 11MFY23. However, EBITDA margin has declined to 10.83% in FY22 over 12.62% in FY21, due to increase in raw material prices, while PAT margin has improved to 1.66% in FY22 over 0.97% in FY21. GCA has improved marginally to Rs.3.56 crore in FY22 from Rs.3.22 crore in FY21.

#### Key Rating Weaknesses

##### **Working capital intensive nature of operations**

The operations of the company remained working capital intensive. The company's collection period stood at 125 days in FY22 over 120 days in FY21 days. The company's operating cycle remained high at 98 days in FY22 and 99 days in FY21. To support its high working capital requirements, the company depends on working capital borrowings from the banks. The average fund based working capital utilisation stood high ~99% for 12 months ended February 2023.

##### **Moderate capital structure and debt protection metrics**

The overall gearing ratio on tangible net worth including quasi equity continues to be moderate at 2.05x as on March 31, 2022, and 2.14x as on March 31, 2021. TOL/TNW (including quasi



## Press Release

equity) has moderated to 3.58x as on March 31, 2022, as against 3.38x as on March 31, 2021. Total debt to GCA stood high at 8.65x in FY22. The interest coverage ratio has marginally improved from 1.84x in FY21 to 1.94x in FY22.

### **Vulnerability to raw material price and foreign exchange fluctuations**

Steel is the major raw material consumed and contributed around 65% of the total raw material costs of the company. Any sharp volatility in raw material prices would impact the profitability of the company. ASPPL faces stiff competition from large established players as well as small, organized players in the sealing business, which further limits its pricing flexibility and constraints profitability. Further, with around 83% of its total operating income of FY22 coming from exports, ASPPL remains exposed to fluctuations in the foreign exchange rates.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity: Stretched**

The company has stretched liquidity. Fund based working capital limit utilization was high at ~99% during the 12 months ended February 2023 on account of working capital-intensive nature of operations. The company utilizes almost 100% of their sanctioned limits throughout the year. The current ratio remained at 1.08x as on March 31st, 2022. The gross cash accruals are projected to be moderate in the medium term and tightly match the repayment obligations.

### **About the company**

Incorporated in 2011, Kancheepuram based ASPPL manufactures industrial gaskets (metallic & non-metallic) that find application in various industries like oil & gas, petro chemical industries. Major types of gaskets manufactured are Ring Type Joint Gaskets, Spiral Wound Gaskets, Insulation Kit Gaskets, Non-Metal, and other special gaskets. The promoters of ASPPL are Mr. Rathinam Aranganathan, Ms. Lakshmipriyaa Veerakumar and Mr.



## Press Release

Subramaniam Venkatakrishnan. The promoters are having two decades experience in the engineering goods industry.

### Financials (Standalone):

(Rs. crore)

| For the year ended / As On*                        | 31-03-2021<br>(Audited) | 31-03-2022<br>(Audited) |
|--|-------------------------|-------------------------|
| Total Operating Income                             | 49.68                   | 64.73                   |
| EBITDA   | 6.27                    | 7.01                    |
| PAT  | 0.49                    | 1.09                    |
| Total Debt   | 29.82                   | 30.80                   |
| Tangible Networth (including Quasi Equity)         | 13.93                   | 15.00                   |
| <b>Ratios</b>                                      |                         |                         |
| EBITDA Margin (%)                                  | 12.62                   | 10.83                   |
| PAT Margin (%)                                     | 0.97                    | 1.66                    |
| Overall Gearing Ratio (including Quasi Equity) (x) | 2.14                    | 2.05                    |

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2023-24) |                                |                | Rating History for the past 3 years     |   |   |
|---------|-------------------------------|--------------------------------|--------------------------------|----------------|---|---|---|
|         |                               | Type                           | Amount outstanding (Rs. crore) | Rating         | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1.      | Term Loan                     | Long Term                      | 6.13                           | IVR BB-/Stable | -                                       | -                                       | -                                       |
| 2.      | GECL Loan                     | Long Term                      | 4.13                           | IVR BB-/Stable |   |   |   |
| 3.      | Open Cash Credit              | Long Term                      | 1.00                           | IVR BB-/Stable | -                                       | -                                       | -                                       |
| 4.      | Packing Credit                | Short Term                     | 18.00                          | IVR A4         | -                                       | -                                       | -                                       |



## Press Release

### Name and Contact Details of the Rating Analyst:

|   |   |
|---|---|
| Name: Kunal Sakla   | Name: Prakash Kabra   |
| Tel: (022) 62396023   | Tel: (022) 62396023   |
| Email: <a href="mailto:kunal.sakla@infomerics.com">kunal.sakla@infomerics.com</a> | Email: <a href="mailto:prakash.kabra@infomerics.com">prakash.kabra@infomerics.com</a> |

### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Term Loan        | -                | -                | Dec-27        | 6.13                         | IVR BB-/ Stable          |
| GECL Loan        | -                | -                | June-25       | 4.13                         | IVR BB-/ Stable          |
| Open Cash Credit | -                | -                | -             | 1.00                         | IVR BB-/ Stable          |



## Press Release

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Packing Credit   | -                | -                | -             | 18.00                        | IVR A4                   |

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-AsianSealing-apr23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).